

Message Text

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SUBJECT: IAEA BUDGET FOR 1976

SUMMARY: DRAFT IAEA BUDGET FOR 1976 CIRCULATED MARCH 17 AS GOV//1733 (COPIES AIRMAILED IO/SCT AND ERDA) WHICH WILL BE CONSIDERED BY BOARD OF GOVERNORS ADMINISTRATIVE AND BUDGET COMMITTEE APRIL 16. THIS MESSAGE PROVIDES BASIC FINANCIAL INFORMATION ON PROPOSED 1976 BUDGET WHICH REPRESENTS 5.1 PERCENT PROGRAM AND 20.9 PERCENT PRICE INCREASE OVER 1975 ADJUSTED BUDGET. ACTION REQUESTED: COMMENTS BY DEPARTMENT AND ERDA ON PROGRAM INCREASES FOR 1976. END SUMMARY..

1. DG EKLUND HAS AGAIN PUT TOGETHER A FISCALLY RESPONSIBLE IAEA BUDGET FOR 1976, ONE WHICH LIMITS PROGRAM INCREASES TO 5.1 PERCENT, BUT WHICH SHOWS AN ALARMING AND POTENTIALLY TROUBLESOME INCREASE OF 20.9 PERCENT DUE PRIMARILY TO DECLINE IN DOLLAR-SCHILLING RATE, AND SECONDARILY TO INFLATIONARY PRESSURES. IN MISSION'S VIEW, PROGRAM INCREASE IS BARELY ADEQUATE TO FUND AGENCY'S GROWING PROGRAM REQUIREMENTS, BUT BUDGET DEBATE WILL BE CONCENTRATED LARGELY ON ISSUES STEMMING FROM DOLLAR RATE DECLINE.

2. TOTAL REGULAR BUDGET ESTIMATE FOR 1976 IS \$37,387,000, WHICH IS INCREASE OF 26.0 PERCENT (\$7,712,000) OVER 1975
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ADJUSTED BUDGET (\$29,675,000). OF THIS INCREASE, \$6,198,000

(20.9 PERCENT) IS DUE TO PRICE INCREASE (INCLUDING CONTINUED DECLINE IN VALUE OF DOLLAR), AND \$1,513,400 (5.1 PERCENT) IS PROPOSED PROGRAM INCREASE. MISCELLANEOUS INCOME FOR 1976 IS ESTIMATED TO BE DWNUYTNPPP, UP \$550,000, OR 24.8 PERCENT OVER 1975 ADJUSTED BUDGET. THE REGULAR BUDGET ESTIMATE (\$37,387,000) MINUS THE ESTIMATED INCOME (\$2,765,000) EQUALS THE ASSESSMENT ON MEMBER STATES (\$34,622,000). 1975 ASSESSMENT (\$26,660,000) WAS \$7,962,000 (29.9 PERCENT) LOWER THAN 1976 ESTIMATE.

3. MAJOR CONTRIBUTING FACTOR TO HUGE PERCENTAGE INCREASE IS DECLINE IN DOLLAR RATE. THE 1975 BUDGET WAS ORIGINALLY CALCULATED AT 21.0 SCHILLINGS TO DOLLAR. THE 1975 ADJUSTED BUDGET (COLUMN 2, TABLE 1, PAGE 11) WAS CALCULATED AT 18.5 SCHILLINGS TO DOLLAR. THE 1976 ESTIMATED BUDGET HAS BEEN CALCULATED AT 17 SCHILLINGS TO DOLLAR. TODAY'S RATE IS 16.5 SCHILLINGS TO DOLLAR WHICH IS ABOVE AVERAGE FOR MARCH 1975.

4. EFFECT OF DECLINING VALUE OF DOLLAR CAN BE SEEN IN TWO ADJUSTMENTS REPRESENTED IN LINE R OF TABLE 1. IN ORDER TO BRING ESTIMATED FIGURE MORE INTO LINE WITH ACTUAL COSTS, \$2,800,000 WAS DISTRIBUTED AMONG 1975 PROGRAMS (SECOND COLUMN OF TABLE 1) TO MAKE UP 1975 ADJUSTED BUDGET. IN CALCULATING PRESENT 1976 ESTIMATE, THE SAME \$2,800,000 (LINE R, LAST COLUMN, TABLE 1) WAS ALSO DISTRIBUTED AMONG 1976 PROGRAMS. HOWEVER, SINCE 18.5 SCHILLINGS TO DOLLAR WAS UNREALISTIC RATE OF EXCHANGE ALREADY IN LATE 1974, AN ADDITIONAL \$2,300,000 HAS BEEN ADDED (LINE R, SECOND-LAST COLUMN, TABLE 1) TO PRESENT 1976 ESTIMATE, REPRESENTING FURTHER DECLINE IN SCHILLING/DOLLAR RATE TO 17 TO ONE. THUS, A TOTAL OF \$5,100,000 HAS BEEN DISTRIBUTED IN 1976 BUDGET ESTIMATE AS AN INCREASE OVER ORIGINAL 1975 BUDGET. THIS, COMBINED WITH EFFECTS OF INFLATION, GIVES SOME PERSPECTIVE TO WHOPPING 29.9 PERCENT INCREASE IN ASSESSMENT ON MEMBER STATES.

5. DOCUMENT NOWHERE COMMITS ITSELF TO A RECOMMENDED TARGET FOR VOLUNTARY CONTRIBUTIONS TO GENERAL FUND FOR 1976. THIS FIGURE IS TO BE RECOMMENDED BY THE BOARD OF GOVERNORS AT THE JUNE MEETING, FOLLOWING DISCUSSIONS AT A AND B COMMITTEE.

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NUMEROUS INDICATIONS BY LDC'S AT FEBRUARY BG MEETING THAT TARGET SHOULD BE RAISED FROM CURRENT \$4.5 MILLION TO \$6.0 MILLION INDICATE USG MAY HAVE DIFFICULTY, AS IT DID LAST YEAR, IN HOLDING BOARD TO MODERATE INCREASE. WITH PRESSURE ON FOR \$6.0 MILLION TARGET, IT SEEMS DOUBTFUL FINAL AGREED-UPON TARGET FIGURE WILL BE LESS THAN \$5.0 MILLION. US MIGHT AGAIN BE FORCED TO OPT FOR CASH CONTRIBUTION AT LESS THAN TARGET AMOUNT, SAY \$4.5 MILLION, WHICH WOULD REPRESENT 12.5

PERCENT INCREASE OVER OUR CURRENT PAYMENTS. ON OTHER HAND, US ACQUIESCENCE IN A \$5.0 MILLION COMPROMISE TARGET FIGURE (ASSUMING IT CAN BE HELD THAT LOW) WOULD DO MUCH TO REDUCE ENDLESS DEBATE AND WOULD REPRESENT A SMALLER PERCENTAGE INCREASE (25 PERCENT OR \$4 MILLION TO \$5 MILLION) THAN WE ACCEPTED LAST YEAR (33 PERCENT OR \$3 MILLION TO \$4 MILLION). MISSION WOULD RECOMMEND SUCH A COURSE OF ACTION AS BALANCING FACTOR TO CONSTANT, GROWING LDC OPPOSITION TO CONTINUALLY ESCALATING SAFEGUARDS COSTS. TARGET OF \$5 MILLION IS IN FACT A REASONABLE ONE WHICH WILL NOT ACTUALLY FUND LEGITIMATE PROJECTS, PARTICULARLY IN VIEW AGENCY INCREASED EMPHASIS ON NUCLEAR POWER IN THE DEVELOPING WORLD.

6. ONCE AGAIN, DG SUGGESTS BOARD RECOMMENDATION THAT LEVEL OF WORKING CAPITAL FUND REMAIN AT 2 MILLION, WHICH WILL BE SUFFICIENT "ONLY IF MEMBERS PAY THEIR ASSESSMENTS PROMPTLY, AS THEY HAVE FOR THE MOST PART DONE THIS YEAR".

7. CONSOLIDATED MANNING TABLE FOR 1976 REFLECTS TOTAL INCREASE OF 38 POSITIONS REQUESTED OVER 1975 ADJUSTED MANNING TABLE, INCLUDING 15 NEW PROFESSIONAL POSTS (INCLUDING AN ADDITIONAL POST OF DIRECTOR), AN INCREASE OF 38 GS POSTS AND A DECREASE OF 15 M AND O POSTS. THIS WOULD RESULT IN NEW OVERALL LEVELS OF 470 PROFESSIONALS, 576 GS, AND 155 M AND O, FOR TOTAL OF 1243 REGULAR STAFF. CHANGES IN PROFESSIONAL STAFF INCLUDE SIX NEW SAFEGUARDS INSPECTORS, THREE POSITIONS IN TA DIVISION, THREE IN DIVISION OF NUCLEAR SAFETY AND ENVIRONMENTAL PROTECTION, AND THREE SCATTERED THROUGH THE DEPARTMENT OF RESEARCH AND ISOTOPES. TWELVE M AND O POSTS IN DIVISION OF PUBLICATIONS RECLASSIFIED AS GS POSTS. SAFEGUARDS OPERATIONS WOULD PICK UP THREE GS POSITIONS, AGENCY'S LABORATORY WOULD ADD FOUR GS, AS WOULD DEPT. OF ADMINISTRATION, WHICH WOULD LOSE FOUR M AND O POSITIONS.

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DEPARTMENT OF TECHNICAL OPERATIONS WOULD ADD 15 GS POSTS, ONE TO STAFF NEW UNIT FOR PEACEFUL NUCLEAR EXPLOSIVES SERVICES (AGENCY APPARENTLY DOES NOT ANTICIPATE MANY REQUESTS), SIX IN DIVISION OF NUCLEAR SAFETY AND ENVIRONMENTAL PROTECTION, AND EIGHT IN DIVISION OF SCIENTIFIC AND TECHNICAL INFORMATION (INCLUDING TWO JUNIOR PROGRAMMERS,

ONE OPERATOR OF NEW PHOTO COMPOSITION EQUIPMENT IN COMPUTER SECTION, AND FOUR POSTS TO MEET INCREASED NEEDS OF INIS SUBPROGRAM OF PUBLISHING MACHINE-READABLE ABSTRACTS).

8. AS IN PAST, MISSION WILL PREPARE ITS OWN ANALYSIS OF INDIVIDUAL PROGRAM INCREASES (WHICH HAVE BEEN KEPT AT LOW LEVEL TO OFFSET LARGE INCREASE DUE TO PRICES AND DOLLAR WEAKNESS). MEANWHILE, WOULD APPRECIATE, AS IN PAST, DETAILED

ANALYSIS OF SPECIFIC PROGRAMS BY ERDA PROGRAM SPECIALISTS IN
TIME FOR DISCUSSION AT A AND B COMMITTEE MEETING APRIL 16. PORTER

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